HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

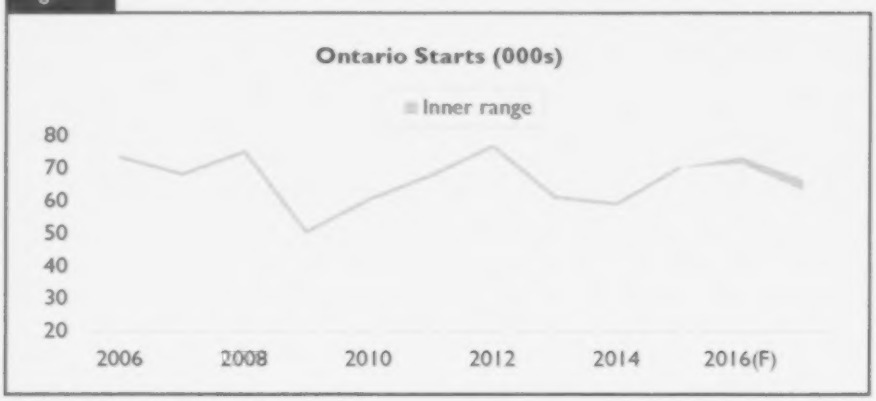
Ontario Region Highlights

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Second Quarter 2016

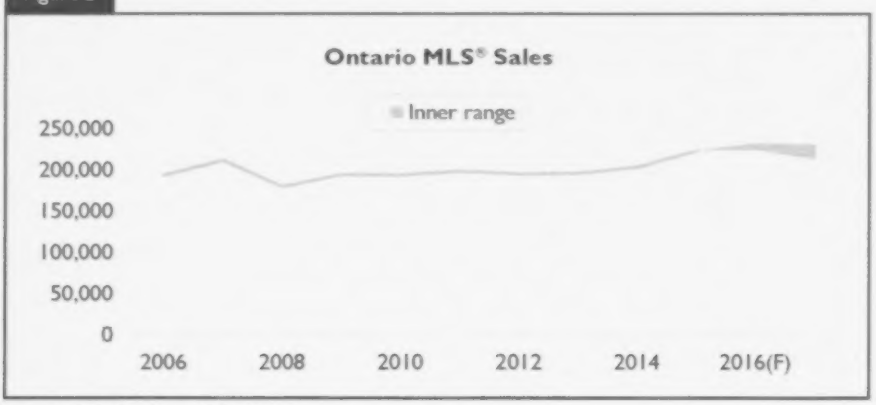
Housing Market Forecast[1]

Figure 1



Source: CMHC; (F): Forecast

Figure 2



Source: CREA; (F) = CMHC Forecast

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[1] The forecasts and historical data included in this document reflect information available as of April 29, 2016.

Overview

- Ontario total starts will strengthen in 2016 and range between 71,300 and 73,500 units – the result of more pronounced strength in the single detached sector. Starts will moderate in 2017 and range between 63,200 and 66,500 units.
- Demand for resale homes will hold up better versus new construction demand. Sales will range between 224,700 and 233,300 units in 2016 and 213,000 and 231,500 units in 2017.
- Ontario existing home prices will continue to grow albeit at a slower rate by 2017. Ontario home prices will range between $505,500 and $516,100 units in 2016 and $517,100 and $535,400 in 2017.
- Ontario vacancy rates will continue to edge lower. Factors supporting rental demand include: rising cost gap between owning and renting, an improving job market and rising international migration.

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Economic Outlook

- Ontario economy will grow above the national average over the forecast horizon.
- Trade should contribute more growth to Ontario economy versus recent past thanks to improving US economy and low Canadian dollar.
- Improving business sentiment will drive gains in employment and wages.
- Southern Ontario markets, especially in southwestern corridor, should register stronger job growth over the forecast horizon.
- Improving performance of Ontario economy relative to the rest of Canada should encourage stronger population growth.
- Migration will be the biggest driver of population growth as Ontario gains migrants from the rest of Canada.

New Home Market

- Single detached home starts will remain elevated in 2016 and range between 27,700 to 29,600 units. Fewer options in a tight low-rise resale market and stronger income growth will support single starts.
- Single starts will trend lower in 2017 and range between 20,600 and 23,400 units. The rising price gap between singles and apartments will gradually shift demand to more affordable options.
- Multi-unit starts will ease from elevated 2015 levels and range between 42,000 and 45,000 units in 2016 before stabilizing and ranging between 41,000 and 46,000 units in 2017. Elevated apartment ownership construction will ease to more sustainable longer terms levels given rising inventories in recent years.
- Townhome and apartment construction will capture a rising share of activity as affordability erodes further in 2017.
- Rental apartment construction will continue to remain near record highs thanks to low vacancy rates and increasing cost of ownership housing.

Note to readers

In an effort to align itself with the various needs of those seeking information about the housing market, CMHC's Market Analysis Centre has undertaken a complete review of its products and services. As a part of this review, the CMHC's *Housing Market Outlook* publication will be undergoing a series of modifications. The general objective is to provide a range of possible outcomes that, in a context of economic and financial uncertainty, will better help users in their decision-making process.

As a first step in this ongoing process, the present edition incorporates forecast ranges for housing variables as well as an expanded discussion on the risks to the forecast. A more detailed description of the forecast range methodology is provided at the end of the publication.

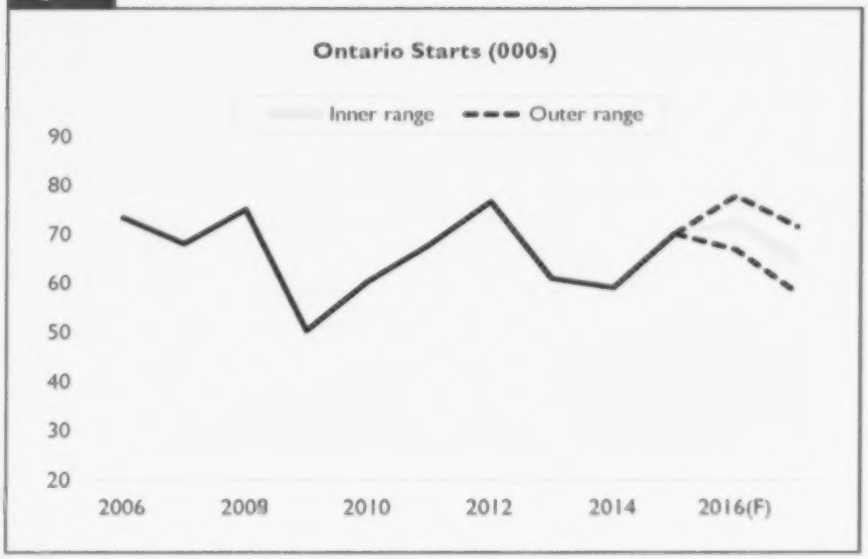
Existing Home and Rental Market

- Existing home sales will remain elevated over the forecast horizon ranging between 224,700 to 233,300 units in 2016 and 213,000 to 231,500 units in 2017.
- Demand for less expensive housing, which includes resale housing, will hold up better as mortgage carryings costs continue to rise.
- Housing markets in southwestern Ontario and markets bordering more expensive GTA boast more affordable home options – resulting in stronger growth over the forecast horizon.
- Weaker economic conditions in Northern and Eastern Ontario will restrain housing activity relative to the rest of the province.
- Ontario home prices will continue to grow albeit at a slower rate by 2017. Prices will range between $505,500 to $516,100 in 2016 and $517,100 to $535,400 in 2017.
- Less choice in resale markets and strong income growth will support price growth in the short run before shifting in demand to less expensive housing dampens growth by 2017.
- Ontario vacancy rates will continue to edge lower although will remain stable in markets anticipating more condominium and purpose-built rental accommodation.
- Improving job markets, a rising cost gap between owning and renting and rising international migration will support rental demand across the province.

Risks to the Housing Outlook

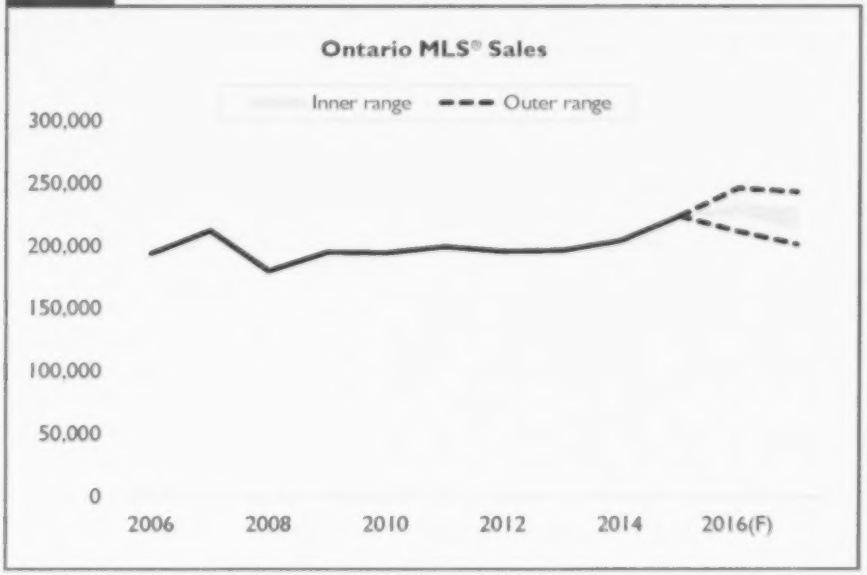
- Although the CMHC inner range forecast is the more likely path for the Ontario outlook, there is some uncertainty surrounding the economic and housing outlook. This uncertainty can result in a wider range of possible outcomes which is reflected in the outer range forecast.
- Risks to the Ontario housing market remain balanced as of the second quarter of 2016.
- More generally, a stronger than expected US economy, an extended period of low interest rates and higher than expected migration could translate into stronger housing activity.
- Stronger business investment in productivity enhancing capital, more global competition and capacity constraints in some Ontario sectors would result in slower job growth and housing activity.
- Slower than expected job and income growth and rising inventories of unsold homes could pull total starts near the lower end of the outer range.
- Stronger job markets, a further tightening of resale markets and more land available for development could pull starts near the upper end of the outer range.
- Weaker job growth and faster erosion of affordability could pull sales near lower end of outer range.
- Existing home sales could be closer to upper end of outer range if job growth is stronger than expected and if interest rates and Canadian dollar remain lower longer.
- Growing housing imbalances, particularly in the GTA, and weaker than expected single family home demand could pull prices near lower end of outer range.

Figure 3



Source: CMHC; (F): Forecast

Figure 4



Source: CREA, (F): Forecasts by CMHC
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- The HMA identifies some imbalances in some of Ontario's housing markets. In Toronto we detect strong evidence of problematic conditions due to price acceleration and overvaluation. The unwinding of the imbalances poses some downside risk in the house price forecast.
- Faster job and income growth combined with a low Canadian dollar could push prices closer to upper end of outer range.

Mortgage rates are expected to rise moderately from current levels in 2017

Mortgage rates are expected to stay near current levels until the end of 2016, supporting housing demand. Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to gradually start rising from current levels in the first half of 2017. This expected profile for mortgage rates is in line with the Bank of Canada's view of the economy returning to its full capacity by the end of 2017, according to its April 2016 Monetary Policy Report.

Figure 5

Source: CREA, (F): Forecasts by CMHC

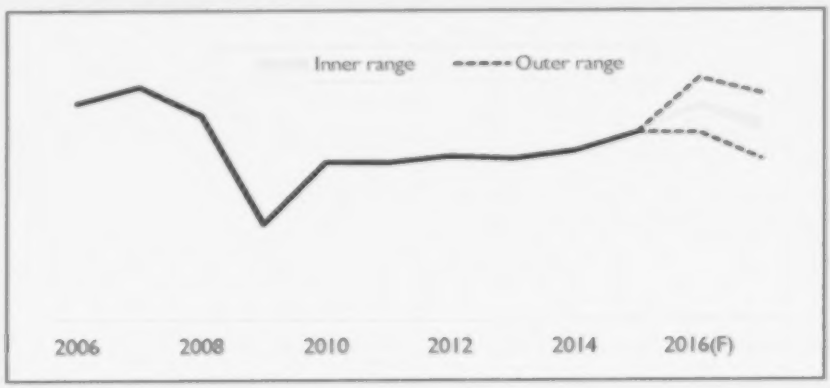
According to CMHC's base case scenario, the five-year mortgage rate is expected to be within the 4.4 to 5.0 per cent range in 2016 and within the 4.7 to 5.3 per cent range in 2017.

Methodology for forecast ranges

The present edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. Despite this change, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available. Two sets of ranges are presented in the publication:

- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This range provides precision and direction for forecasts of housing variables, given a specific set of assumptions for the market conditions and underlying economic fundamentals.
- An outer range, which reflects potential risks to the forecast due to, for example, the impact of economic shocks. The outer range is based on a broader coefficient of variation of historical data and on past forecast accuracy. This range includes some low-probability events that could have a significant impact on the forecast.

Downward (or upward) adjustments to the ranges may be applied based on local market intelligence if there are more sources of risks (upside or downside) for that specific market.



* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

Forecast Summary Ontario Spring 2016							
	2013	2014	2015	2016(F)		2017(F)	
				(L)	(H)	(L)	(H)
New Home Market							
Starts:							
Single-Detached	23,270	23,691	24,953	27,700	29,600	20,600	23,400
Multiples	37,815	35,443	45,203	42,000	45,000	41,000	46,000
Starts - Total	61,085	59,134	70,156	71,300	73,500	63,200	66,500
Resale Market							
MLS® Sales	196,572	204,249	223,828	224,700	233,300	213,000	231,500
MLS® Average Price($)	403,664	432,053	465,556	505,500	516,100	517,100	535,400
Economic Overview							
Mortgage Rate(5 year)(%)	5.24	4.88	4.67	4.40	5.00	4.70	5.30

	2013	2014	2015	2016(F)	2017(F)
Rental Market					
October Vacancy Rate (%)	2.3	2.0	2.2	2.2	2.1
Two-bedroom Average Rent (October)($)	1,101	1,130	1,166	1,197	1,223
Economic Overview					
Population	13,603,613	13,730,137	13,850,090	13,996,690	14,167,700
Annual Employment Level	6,823,400	6,877,900	6,923,200	7,041,600	7,142,000
Net Migration	89,878	76,156	95,699	108,050	114,000
Average Weekly Earnings ($)	895	907	938	968	988

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Rental Market: Privately initiated rental apartment structures of three units and over. Historical and forecast values are an aggregate roll-up of the CMA historical data and forecasts from each province.

The forecasts (F) included in this document are based on information available as of 29th April 2016. (L)=Low end of Range (H)=High end of range.

The low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is due to rounding and volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey), Statistics Canada, CREA(MLS®), CMHC Forecast (2016-2017).

Ontario Region Housing Forecast - New Construction

	Housing Starts	2015	2016(F)		2017(F)	
			(L)	(H)	(L)	(H)
Barrie	Single-Detached	695	650	700	650	850
	Multiples	321	450	600	350	550
	Starts - Total	1,016	1,100	1,300	1,000	1,400
Guelph	Single-Detached	343	300	400	250	400
	Multiples	798	600	700	550	700
	Starts - Total	1,141	900	1,100	800	1,100
Hamilton	Single-Detached	1,122	950	1,200	900	1,150
	Multiples	932	1,600	1,700	1,500	1,650
	Starts - Total	2,054	2,550	2,900	2,400	2,800
Kitchener-Cambridge-Waterloo	Single-Detached	995	1,000	1,100	1,000	1,200
	Multiples	2,217	1,800	2,000	1,500	1,700
	Starts - Total	3,212	2,800	3,100	2,500	2,900
London	Single-Detached	1,046	1,150	1,350	1,150	1,450
	Multiples	1,058	950	1,100	1,000	1,200
	Starts - Total	2,104	2,150	2,400	2,200	2,550
Oshawa	Single-Detached	1,418	1,200	1,400	1,000	1,300
	Multiples	1,169	1,200	1,300	850	1,000
	Starts - Total	2,587	2,450	2,650	1,900	2,150
Ottawa	Single-Detached	1,992	1,700	1,800	1,600	1,800
	Multiples	2,980	2,900	3,000	2,700	3,100
	Starts - Total	4,972	4,600	4,800	4,300	4,900
St. Catharines-Niagara	Single-Detached	1,002	1,000	1,000	900	1,000
	Multiples	735	600	700	600	700
	Starts - Total	1,737	1,600	1,700	1,500	1,700
Toronto	Single-Detached	10,223	11,000	12,000	8,000	10,000
	Multiples	32,064	28,500	31,500	27,000	31,000
	Starts - Total	42,287	39,500	43,500	35,000	41,000
Windsor	Single-Detached	709	800	1,000	850	1,150
	Multiples	301	250	400	250	450
	Starts - Total	1,010	1,100	1,350	1,150	1,450

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The low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is due to rounding and volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey). CMHC Forecast (2016-2017).

Ontario Region Housing Forecast - Resale Market

		2015	2016(F)		2017(F)	
			(L)	(H)	(L)	(H)
Barrie	MLS® Sales	5,244	5,300	5,900	5,100	6,000
	MLS® Average Price($)	373,203	384,000	415,000	395,000	443,000
Guelph	MLS® Sales	2,976	3,100	3,300	3,100	3,500
	MLS® Average Price($)	378,485	393,800	416,200	406,800	433,200
Hamilton	MLS® Sales	15,907	16,200	17,000	15,800	16,600
	MLS® Average Price($)	442,493	463,000	487,000	468,000	510,000
Kitchener-Cambridge-Waterloo	MLS® Sales	5,660	5,900	6,300	5,900	6,500
	MLS® Average Price($)	348,065	365,200	374,800	373,600	386,400
London	MLS® Sales	9,618	9,900	10,300	10,100	10,700
	MLS® Average Price($)	265,370	275,000	283,000	285,500	297,500
Oshawa	MLS® Sales	11,368	11,100	11,900	10,100	11,300
	MLS® Average Price($)	439,842	471,700	488,300	482,600	517,400
Ottawa	MLS® Sales	14,842	14,300	15,700	14,000	15,800
	MLS® Average Price($)	369,477	365,900	378,100	369,300	384,700
St. Catharines-Niagara	MLS® Sales	6,746	6,600	6,700	6,500	6,600
	MLS® Average Price($)	271,425	289,400	291,400	291,400	309,800
Toronto	MLS® Sales	101,846	99,500	106,000	92,000	102,000
	MLS® Average Price($)	622,046	671,000	697,000	694,000	742,000
Windsor	MLS® Sales	6,322	6,700	7,100	6,800	7,600
	MLS® Average Price($)	196,664	206,000	212,000	215,000	225,000

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The forecasts (F) included in this document are based on information available as of 29th April 2016.

(L)=Low end of Range (H)=High end of range.

Source: CREA(MLS®). Oshawa MLS® data are taken from Durham Region. Thunder Bay MLS® data are taken from Districts 1 and 2 of the Thunder Bay Real Estate Board not the whole Board territory. CMHC Forecast (2016-2017).

Ontario Region Housing Forecast - Rental Market

		2015	2016(F)	2017(F)
Barrie	October Vacancy Rate (%)	1.3	1.8	2.1
	Two-bedroom Average Rent (October)($)	1,167	1,190	1,200
Guelph	October Vacancy Rate (%)	1.2	1.3	1.4
	Two-bedroom Average Rent (October)($)	1,027	1,050	1,070
Hamilton	October Vacancy Rate (%)	3.4	3.2	2.9
	Two-bedroom Average Rent (October)($)	1,034	1,060	1,090
Kitchener-Cambridge-Waterloo	October Vacancy Rate (%)	2.4	2.7	2.6
	Two-bedroom Average Rent (October)($)	997	1,020	1,040
London	October Vacancy Rate (%)	2.9	2.7	2.5
	Two-bedroom Average Rent (October)($)	963	985	1,005
Oshawa	October Vacancy Rate (%)	1.7	1.9	2.0
	Two-bedroom Average Rent (October)($)	1,035	1,055	1,060
Ottawa	October Vacancy Rate (%)	3.4	3.8	3.0
	Two-bedroom Average Rent (October)($)	1,174	1,195	1,225
St. Catharines-Niagara	October Vacancy Rate (%)	2.8	2.7	2.6
	Two-bedroom Average Rent (October)($)	909	930	940
Toronto	October Vacancy Rate (%)	1.6	1.6	1.7
	Two-bedroom Average Rent (October)($)	1,288	1,325	1,355
Windsor	October Vacancy Rate (%)	3.9	3.7	3.5
	Two-bedroom Average Rent (October)($)	824	850	875

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 29th April 2016.

Source: CMHC (Rental Market Survey), CMHC Forecast (2016-2017).

Ontario Region Economic and Housing Indicators

		Labour Market			Housing Market				
		Emp. Growth (%)	Unemp. Rate (%)	Average Weekly Earnings ($)	Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price ($)
Barrie	Q1 2016	-0.9	7.7	927	341	66	275	1,127	400,236
	Q1 2015	2.6	6.8	890	83	62	21	1,004	348,062
	Change	-3.5	0.9	4.2%	310.8	6.5	1209.5	12.3	15.0
Guelph	Q1 2016	8.6	4.5	1,009	180	53	127	706	394,101
	Q1 2015	13.8	4.8	943	82	43	39	637	369,473
	Change	-5.2	-0.3	6.9%	119.5	23.3	225.6	10.8	6.7
Hamilton	Q1 2016	1.6	5.8	985	636	116	520	3,239	468,097
	Q1 2015	-2.4	5.5	919	163	133	30	3,068	435,755
	Change	3.9	0.3	7.2%	290.2	-12.8	1633.3	5.6	7.4
Kitchener-Cambridge-Waterloo	Q1 2016	0.2	6.0	954	585	181	404	1,348	363,844
	Q1 2015	2.6	5.7	917	674	173	501	1,095	337,164
	Change	-2.3	0.3	4.0%	-13.2	4.6	-19.4	23.1	7.9
London	Q1 2016	0.8	6.7	881	292	223	69	2,026	271,890
	Q1 2015	5.1	6.8	870	337	141	196	1,825	255,716
	Change	-4.3	-0.1	1.3%	-13.4	58.2	-64.8	11.0	6.3
Oshawa	Q1 2016	5.1	6.4	980	615	151	464	2,400	479,667
	Q1 2015	4.2	7.9	1,007	447	68	379	2,229	422,095
	Change	0.9	-1.5	-2.7%	37.6	122.1	22.4	7.7	13.6
Ottawa	Q1 2016	1.2	6.8	1,057	793	203	590	2,695	361,760
	Q1 2015	0.7	6.6	1,043	447	182	265	2,719	358,837
	Change	0.5	0.2	1.4%	77.4	11.5	122.6	-0.9	0.8
St. Catharines-Niagara	Q1 2016	1.8	9.3	867	323	221	102	1,517	288,608
	Q1 2015	1.5	7.6	824	243	131	112	1,251	257,440
	Change	0.3	1.7	5.2%	32.9	68.7	-8.9	21.3	12.1
Toronto	Q1 2016	3.4	7.1	993	9,412	1,925	7,487	22,619	675,411
	Q1 2015	-0.4	7.0	942	8,236	1,168	7,068	19,633	594,586
	Change	3.9	0.1	5.4%	14.3	64.8	5.9	15.2	13.6
Windsor	Q1 2016	0.4	6.8	871	150	117	33	1,423	208,725
	Q1 2015	2.4	11.5	859	60	42	18	1,193	184,935
	Change	-2.0	-4.7	1.4%	150.0	178.6	83.3	19.3	12.9
Ontario	Q1 2016	1.3	6.9	959	14,789	4,389	10,400	46,981	506,035
	Q1 2015	0.5	7.1	920	11,382	2,567	8,815	42,046	452,217
	Change	0.8	-0.2	4.3%	29.9	71.0	18.0	11.7	11.9
Canada	Q1 2016	0.7	7.6	937	38,175	11,819	26,356	114,117	498,260
	Q1 2015	0.6	7.2	909	35,175	10,266	24,909	100,629	428,580
	Change	0.1	0.4	3.1%	8.5	15.1	5.8	13.4	16.3

Changes to the Employment Growth and Unemployment Rate represent the absolute difference between current rates and the rates for the same period in the previous year. Average Weekly Earnings is the 3 month moving average of the last month in the quarter.

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n/a: Not Available

Source: CMHC (Starts and Completions Survey), Statistics Canada, CREA(MLS®).

CMHC—HOME TO CANADIANS

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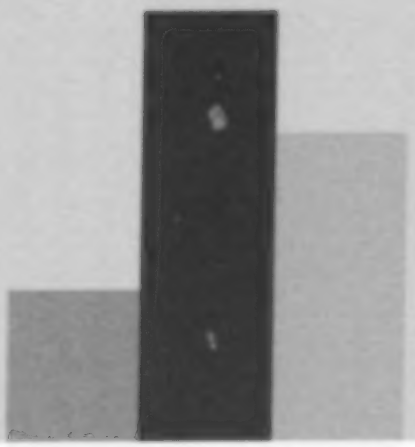

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- Condominium Owners Report
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Rental Market Provincial Highlight Reports
- Rental Market Reports, Major Centres
- Rental Market Statistics
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports

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